

## **News Release**

### **AIK COMP SUSPENDS WRITING OF NEW, RENEWAL BUSINESS**

*Assessment, coverage of injured workers continues*

FRANKFORT, Ky. (Dec. 22, 2004) - AIK Comp, a workers' compensation group self-insurance fund currently in rehabilitation following a \$58.5 million shortfall, will suspend writing new or renewal business effective Jan. 1, 2005, Martin Koettters, the rehabilitator, announced today.

In making the announcement, Koettters, who is also the executive director of the Kentucky Office of Insurance (KOI), cited the lack of adequate specific excess insurance as the reason for the decision. This coverage serves as protection to an entity by limiting exposure for claims over a specific dollar amount.

"This is the responsible approach to protect both members and their employees," Koettters said. "We cannot allow AIK Comp to take on new business without specific excess insurance."

Franklin Circuit Court Judge William Graham signed an order allowing AIK Comp to enter into voluntary rehabilitation with KOI on Aug. 5. The state sought the action after AIK Comp reported this spring a \$40 million shortfall in reserves to pay injured workers' future benefits. A lack of regulatory oversight by the previous administration's Office of Workers' Claims resulted in the growth of the reserve deficit over several years.

Koettters stressed that rehabilitation efforts and collection of the \$58.5 million in assessments will continue. He noted that the assessment was necessary to ensure that the claims of injured workers are paid.

"We continue to be fully committed to our obligations to injured workers and will be aggressive in our efforts to protect their interests," he said. As of Dec. 15, AIK Comp had collected nearly \$11 million in cash and an additional \$17 million in future installments from 1,638 members.

"We are extremely encouraged that we have collected this much in assessments. The success of this effort should allow AIK Comp to meet all obligations to injured workers well beyond 2005," Koettters said.

Members have received letters from the special deputy rehabilitators of AIK Comp stating that no policies will be renewed, effective Jan. 1, 2005. Those members who have renewed policies for Jan. 1 will have premiums returned and need to secure workers' compensation coverage with another company. Members who have received a renewal quotation for coverage effective Jan. 1 and have not responded have been notified that the quotation has been rescinded and coverage needs to be secured from another insurance company. Members who are current policyholders have been given a 60-day notice of cancellation and need to secure replacement coverage before March 1, 2005.

KOI is an agency of the Environmental and Public Protection Cabinet.